

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

NOTICE OF PRICE ADJUSTMENT

Docket No. R2012-09

UNITED STATES POSTAL SERVICE  
NOTICE OF MARKET-DOMINANT PRICE ADJUSTMENT

(June 27, 2012)

Pursuant to 39 U.S.C. § 3622 and 39 C.F.R. § 3010, the Postal Service hereby provides notice that the Governors have authorized the Postal Service to temporarily adjust the prices for several market-dominant products within First-Class Mail® and Standard Mail®. This adjustment will take effect at 12:01 AM on November 7, 2012, and expire at 11:59 PM on November 21, 2012 ("Promotion Period").

The change, the Holiday Mobile Shopping Promotion ("Mobile Shopping Promotion"), will provide commercial mailers with an upfront two percent discount on the prices for First-Class Mail and Standard Mail letters, flats, and cards (presort and automation) that include a mobile barcode (or other print/mobile technology) on or inside the mailpiece.<sup>1</sup> When scanned on a mobile device, this technology must direct the recipients of the mailpieces to a mobile optimized website that allows them to purchase an advertised product on the mobile device.<sup>2</sup> Additionally, mailers may qualify for an extra one percent rebate on their Qualifying Mailings, if a portion of their orders

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<sup>1</sup> In this pleading, any First-Class Mail or Standard Mail letter, flat, and card that meets the requirements of the Mobile Shopping Promotion shall be referred to as a "Qualifying Mailpiece," a "Qualifying Mailing," or as "Qualifying Mailpieces,"

<sup>2</sup> In this pleading, mobile barcodes or equivalent mobile technologies that meet the Holiday Mobile Shopping Promotion requirements shall be referred to as "Qualifying Barcodes."

are fulfilled via Priority Mail® between November 9, 2012 and December 31, 2012. The Postal Regulatory Commission (“Commission”) approved similar promotions in Docket Nos. R2011-5 and R2012-6.

In this Notice, the Postal Service provides the information required by Rule 3010.14, including the proposed Mail Classification Schedule changes, which are provided in Appendix A. In addition, the Postal Service has included documents supporting its cost estimates for the Mobile Shopping Promotion, which are provided in Appendix B, and sample Postage Statement forms, which are provided in Appendix C. The remainder of this Notice is structured as follows. In Part I, the Postal Service provides a description of the promotion. In Part II, the Postal Service discusses the promotion's impact on Standard Mail Flats' compliance with 39 U.S.C. § 101(d). In Part III, the Postal Service describes the program's compliance with the price cap. In Part IV, the Postal Service discusses how the program's prices are consistent with the objectives and factors of section 3622, and the preferred pricing requirements of section 3626.

The Postal Service certifies that it will inform customers of these price adjustments, as required by Rule 3010.14(a)(3). In addition to this notice, the Postal Service will also issue a Press Release announcing the new pricing, and publish Federal Register and Postal Bulletin notices. Consequently, widespread notice of these prices will be given more than 45 days prior to their planned implementation date.

Ms. Michelle Yorgey will serve as the Postal Service official responsible for responding to any Commission inquiries pursuant to Rule 3010.14(a)(4). Ms. Yorgey's contact information is as follows:

Ms. Michelle Yorgey  
Interim Manager, Pricing Innovation  
475 L'Enfant Plaza S.W.  
Room 4316  
Washington, D.C. 20260-4316

## **I. PROGRAM DESCRIPTION**

### BACKGROUND

As technology continues to provide businesses with alternative marketing media, the Postal Service must ensure that direct mail continues to be a relevant part of customers' marketing strategies. In an effort to maintain and improve the value of direct mail, the Postal Service has sought Commission approval for a series of incentives that encourage mailers to integrate mobile technologies into their direct mail campaigns.<sup>3</sup> The Postal Service believes that integrating these technologies into direct mail will enhance consumers' interaction with direct mail advertising, fundamentally improving the long-term value of the mailstream. These efforts should stabilize and improve the long-term financial health of First-Class Mail and Standard Mail products as customers continue to utilize direct mail advertising.

The first incentive was the 2011 Mobile Barcode Promotion ("2011 Promotion"), which the Commission approved in Order No. 731. The Primary intent of the 2011 Promotion was to generate awareness of how mobile technology could be effectively integrated into mailers' advertising campaigns.<sup>4</sup> To accomplish this goal, the 2011

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<sup>3</sup> See PRC Docket No. R2011-5, Order Approving Market-Dominant Price Adjustment, "Order No. 731" (May 17, 2011); PRC Docket No. R2012-6, Order Approving Market-Dominant Price Adjustment, "Order No. 1296" (March 26, 2012).

<sup>4</sup> See PRC Docket No. R2011-5, United States Postal Service Notice of Market-Dominant Price Adjustment, "2011 Notice," at 2 (April 12, 2011).

Promotion provided business mailers with a three percent upfront postage discount on Standard Mail and First-Class Mail letters, flats, and cards that contained a two-dimensional mobile barcode inside or on the mailpiece.<sup>5</sup> To encourage broad participation, qualifying barcodes only needed to promote, market, or educate the recipient about a product or service.<sup>6</sup>

Customer participation in the promotion greatly exceeded the initial expectations of the Postal Service,<sup>7</sup> thus achieving the promotion's goal. Indeed, the 2011 Mobile Barcode Promotion demonstrated how dramatically a postage discount could influence mailer behavior. During the two-month promotion period over 4,000 unique customers participated, and over 76,000 mailings qualified for the discount. In addition, subsequent discussions with participating customers revealed that some mailers used the promotion savings to invest in the infrastructure needed to continue integrating mobile technology with direct mail. These investments further demonstrated that the discount positively influenced mailer behavior and improved the long term value of direct mail.

The Postal Service next sought approval for the 2012 Mobile Commerce and Personalization Promotion ("2012 Promotion"), which was approved by the Commission on March 26, 2012 in Order No. 1296.<sup>8</sup> Building off of the awareness generated by the 2011 Promotion, the 2012 Promotion is intended to encourage mailers to integrate more

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<sup>5</sup> *Id.* at 1.

<sup>6</sup> *Id.* at 2-3.

<sup>7</sup> Compare PRC Docket No. R2011-5, Response of the United States Postal Service to Chairman's Information Request No. 2, at 1 (May 11, 2001) (stating that the Postal Service expected to issue between \$1.54 and \$4.63 million in discounts during the 2011 Promotion) with PRC Docket No. R2011-5, Mobile Barcode Promotion Program Report, at 2 (November 25, 2011) (demonstrating that the Postal Service issued \$34.13 million in discounts during the 2011 Promotion).

<sup>8</sup> See PRC Docket No. R2012-6, Order No. 1296. (The 2012 Promotion is scheduled to take place between July 1, 2012 and August 31, 2012).

advanced uses of mobile technologies into their direct mail campaigns.<sup>9</sup> In particular, the 2012 Promotion encourages mailers to adopt more advanced techniques in the areas of mobile commerce and personalization.<sup>10</sup> To accomplish this goal, and to ensure more limited/focused participation, the Postal Service reduced the discount and narrowed the qualification requirements.

Consequently, the 2012 Promotion offers business mailers a two percent upfront postage discount on Standard Mail and First-Class Mail letters, flats, and cards that contain a two-dimensional mobile barcode inside or on the mailpiece.<sup>11</sup> However, unlike the 2011 Promotion, the 2012 Promotion requires that Qualifying Barcodes do more than simply promote, market, or educate the mailpiece recipient about a product or service. Instead, a Qualifying Barcode must lead the recipient of the mailpiece to either: 1.) A mobile optimized webpage that allows the recipient to purchase a product or service on the mobile device, or; 2.) A mobile optimized web page whose web address and content are unique to an individual recipient.<sup>12</sup> Inquiries from customers that are planning to participate in the promotion indicate that the 2012 Promotion is well on its way to achieving its goals.

Continuing the trend of implementing smaller, more targeted promotions that drive mailer behavior, the Postal Service now seeks Commission approval for the Holiday Mobile Shopping Promotion (“Mobile Shopping Promotion”).<sup>13</sup> Utilizing the

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<sup>9</sup> See PRC Docket No. R2012-6, United States Postal Service Notice of Market-Dominant Price Adjustment, “2012 Notice” (February 21, 2012), at 4.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> In Order No. 1296, the Commission requested that for future, similar promotions “[t]he Postal Service should report to the Commission on its results from the 2012 Promotion” and “[d]emonstrate the long-term value of similar discounts going forward.” Order 1296, at 8. However, since the 2012 Promotion is scheduled to take place between July 1, 2012 and August 31, 2012, the Postal Service will not be able to

mobile commerce technologies that customers will be investing in during the 2012 Promotion, the Mobile Shopping Promotion will demonstrate how mobile technologies can make direct mail a more convenient method for consumers to do their holiday shopping. The additional one percent rebate will also help promote mailers' use of Priority Mail during the critical holiday shipping season. Similar to the 2012 Promotion, the Postal Service has designed the Mobile Shopping Promotion with targeted participation requirements that will help ensure smaller, but more meaningful participation by mailers.

#### Promotion Parameters

As mentioned above, the Mobile Shopping Promotion provides business mailers with an upfront two percent postage discount on Standard Mail and First-Class Mail letters, flats and cards (presort and automation) that include a mobile barcode or print/mobile technology that can be read or scanned by a mobile device.<sup>14</sup> Once scanned, this technology must lead the recipient to a mobile optimized shopping website that allows the recipient to purchase an advertised product on the mobile device (the sale of services will not qualify).

Participating mailers may receive an additional one percent rebate on the pre-discount postage for their Qualifying Mailings, if they send a certain number of Priority Mail packages with a unique trackable barcode (i.e., delivery confirmation barcode or

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report on that promotion's results in this pleading. Nevertheless, the Postal Service will use results from the 2011 Promotion and its conversations with mailers to demonstrate the long-term value of the Mobile Shopping Promotion.

<sup>14</sup> This technology may include, but is not limited to, open-sourced barcodes (such as a QR Code® or Datamatrix code), proprietary barcodes or tags (such as SnapTags or MS Tags), or images embedded with a digital watermark.

Intelligent Mail Package Barcode) between November 9, 2012 and December 31, 2012 (“Fulfillment Period”). In order to claim the rebate, mailers would need to demonstrate that during the Fulfillment Period, the number of Priority Mail packages delivered to customers exceeded 0.5 percent of the total number of Qualifying Mailpieces sent during the Promotion Period (“Fulfillment Threshold”). An example of the Fulfillment Threshold and discount calculation is detailed in the table below:

Promotion Period - Discounted Mail volume	100,000 pieces
Total postage prior to discount	\$21,000
2% Discount	\$420 (\$21,000 x .02)
Total Postage after Discount Applied	\$20,580
0.5% Fulfillment Threshold	500 packages (100,000 x .005)
Actual number of packages filled via Priority Mail (11/9 – 12/31)	1,225
Additional rebate earned	\$210 (\$21,000 x .01)

In the example above, if the mailer had sent less than 500 packages via Priority Mail during the Fulfillment Period, it would not be eligible for any additional rebate.

### Registration Requirements

Participants (and/or mail service providers acting on customers’ behalf) will be required to register for the Mobile Shopping Promotion, and agree to its terms, at least 2 hours prior to the first Qualifying Mailing. The registration process will ask mailers to specify which permits and Customer Registration IDs (“CRIDS”) will be participating in the promotion, and to select a Mailing Payment Account to which the Postal Service

may credit the one percent rebate. The registration process will also require the mailers to agree to participate in a survey at the end of the promotion period. The data collected from the survey will help the Postal Service better measure the results of the promotion.

The Postal Service plans to open registration around September 15, 2012. This proposed date will give prospective mailers an adequate amount of lead-time to make necessary preparations/investments in order to qualify for the promotion.

#### Postage Statement / Payment

Mailings must be submitted electronically via mail.dat, mail.xml, or Postal Wizard. Participating mailers will be required to affirmatively claim the Mobile Shopping Promotion on their electronic postage statement submissions, certifying that each mailpiece meets the promotion requirements.<sup>15</sup> All pieces included in a postage statement that claims the discount, must contain a qualifying barcode and meet all other promotion requirements. Commingled, co-mailed, and combined mailings are allowed, but a separate postage statement is required for mailpieces claiming the promotion discount. In addition, automation mailpieces must contain an Intelligent Mail barcode.

The Mobile Shopping Promotion's upfront two percent discount must be claimed at the time of mailing and cannot be rebated at a later date. For the purposes of this promotion, each postage statement is considered a mailing. The two percent discount will be taken off the line item totals on each eligible line on the postage statement. Postage must be paid using a permit imprint, precancelled stamp permit, or qualifying

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<sup>15</sup> A sample of the Postage Statement that will be used by mailers is attached as Appendix C.



meter mail. The process for qualifying for and receiving the one percent rebate is discussed in more detail below.

### *Rebate Requirements*

At the end of the Promotion Period, the Postal Service's program office will perform an analysis to establish the Fulfillment Threshold for each participating mailer. Beginning on January 1, 2013, mailers who believe they've met their Fulfillment Threshold and are interested in receiving the rebate can submit applications to the Postal Service. As part of this application, mailers must submit supporting documentation demonstrating that the Fulfillment Threshold was met during the Fulfillment Period. All rebate applications must be received by the program office no later than February 15, 2013.

The Postal Service's program office will verify the information submitted by participating mailers. If a participant meets or exceeds its Fulfillment Threshold, a one percent rebate on the pre-discount postage for the Qualifying Mailpieces, will be applied to the participant's Mailing Payment Account.

### *Verification and Post-Mailing Requirements*

When Qualifying Mailings are accepted, the mailer must provide an unaddressed hard copy sample of the mailpiece so that the acceptance clerk can check the placement of the mobile barcode. If a mailing contains Qualifying Mailpieces from multiple mailers, a hard copy sample of each mailer's mailpiece must be presented. All mailings are subject to standard acceptance and verification procedures, and the use of

the mobile barcode may be inspected.

During the Promotion Period, and after the Promotion Period has ended, the Postal Service will conduct a random sample of mailpieces that qualified for the Mobile Shopping Promotion discount. The Postal Service will scan and read these samples to ensure that the customer's mailings meet the requirements of the promotion.

Mailers are also required to retain an electronic or hard copy sample of the Qualifying Mailpieces until January 15, 2013. If requested by the Postal Service, mailers must forward such samples to the Postal Service's program office.

### *Estimates of Revenue Forgone*

As demonstrated in the Excel workbook attached as Appendix B, the Postal Service estimates that the Mobile Shopping Promotion could reduce revenue (through the issuance of discounts during the Promotion Period) by \$3 million (low adoption scenario) to \$6 million (high adoption scenario).<sup>16</sup>

The short-term investment that the Postal Service expects to make (in the form of potentially foregone revenue) is intended to strengthen the financial position of direct mail in the future, by improving the long term value of direct mail advertising to mailers. In addition, these investments will help drive mailer awareness and use of Priority Mail.

## **II. STANDARD MAIL FLATS COMPLIANCE WITH 39 U.S.C. § 101(d)**

In the FY 2010 Annual Compliance Determination Report, the Commission directed the Postal Service to increase the cost coverage of the Standard Mail Flats

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<sup>16</sup> These estimates are conservative, because they assume that no additional volume will be generated during the promotion period.

product through a combination of above-average price adjustments (“ACD Order”).<sup>17</sup>

For subsequent market-dominant price adjustments, the Commission required the Postal Service to report “an explanation of how the proposed prices will move the flats cost coverage toward 100 percent” and “a statement estimating the effect that the proposed prices will have in reducing the subsidy of the Flats product.”<sup>18</sup>

In response, the Postal Service filed an appeal with the U.S. Court of Appeals for the D.C. Circuit, challenging the Commission’s authority to issue the ACD Order pursuant to 39 U.S.C. § 101(d). On April 17, 2012 the Court remanded the case to the Commission for a “definition of the circumstances that trigger § 101(d)’s failsafe protection, and for an explanation of why the particular remedy imposed here is appropriate to ameliorate that extremity.”<sup>19</sup> Consequently, the status of the ACD Order will remain in question until such time as the Commission has issued its explanation. Nevertheless, the Postal Service will briefly address the relationship between Standard Mail Flats’ cost coverage and the temporary discount proposed in this docket.

This pleading describes the Postal Service’s intention to provide discounts to mailers, including Standard Mail Flats mailers, under certain conditions. If approved, those discounts will obviously have the short-term effect of lowering, rather than raising Standard Mail Flats postage revenues. Strictly speaking, the immediate effect of the Mobile Shopping Promotion does not further the goals of increased cost coverage and reduced subsidy that the Commission outlined, consistent with its reading of 39 U.S.C. § 101(d).

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<sup>17</sup> PRC Docket No. ACR2010, Annual Compliance Determination Report, Fiscal Year 2010, at 107 (March 20, 2011).

<sup>18</sup> *Id.*

<sup>19</sup> U.S. Postal Service v. Postal Regulatory Commission, No. 11-1117, at 7 (D.C. Cir. April 17, 2012).

However, the Postal Service does not believe, and the Commission's approval of prior discounts indicates, that the ACD Order was not intended to stifle all attempts to adopt pricing innovations that promote the long-term value of the direct mail, and thus Standard Mail Flats. Indeed, when approving the 2011 Promotion the Commission noted that "to bring Standard Flats into compliance, the Postal Service must exercise its flexibility and innovation in pricing and cost control."<sup>20</sup> Similarly, when approving the 2012 Promotion, the Commission stated that "the potential long term benefits of the 2012 Promotion, including improving the value of Standard Mail, are worthy objectives and, under the circumstances, outweigh the Commission's concerns over the disparity in relative contributions by Standard Mail products."<sup>21</sup> The Mobile Shopping Promotion continues the Postal Service's efforts to improve the long-term value of Standard Mail Flats by demonstrating how direct mail, when combined with mobile technologies, can be a convenient method for mailers to promote holiday shopping.

The Postal Service continues to believe that such initiatives will help to preserve and improve product volumes in the future, and are essential to any effort to increase Standard Mail Flats' attributable cost coverage. Though some commenters have criticized prior promotions as failing to address the cost coverage problem,<sup>22</sup> such criticisms fail appreciate the fact that efforts to improve the profitability of a product must go beyond simply increasing prices and cutting costs. Businesses that focus solely on price increases and cost cutting can unintentionally cause the product to spiral out of control. Each price increase can drive away customers, which necessitates additional

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<sup>20</sup> PRC Docket No. R2011-5, Order No. 731, at 11 (May 17, 2011).

<sup>21</sup> PRC Docket No. R2012-6, Order 1296, at 8.

<sup>22</sup> PRC Docket No. R2012-6, Comments of Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc., at 5, March 12, 2012 ("Nothing about the Postal Service's discount proposal [2012 Promotion] contributes to cost control or in any way helps solve the cost coverage problem").

price increases as volumes fall. Similarly, each cost control effort can potentially impact customers in negative ways, which can further suppress demand. To be sure, the Postal Service has pursued a balanced approach by also implementing a 2.209 percent price increase for Standard Mail Flats,<sup>23</sup> and seeking operational changes, such as Network Optimization, which could substantially reduce operating expenditures.

Additionally, the short duration of the promotion (2 weeks) and small amount of the discount, will have a minimal impact on Standard Mail Flats' cost coverage. As the Commission noted in Order No. 1296 "the promotion [2012 Promotion] is unlikely to materially alter the degree to which First-Class Mail and Standard Mail prices comply with the objectives and factors of 39 U.S.C. 3622."<sup>24</sup> Given that the Mobile Shopping Promotion is estimated to cost far less than the 2012 Promotion,<sup>25</sup> it is equally unlikely that this promotion will alter the compliance of First Class Mail and Standard Mail prices with 39 U.S.C. § 3622. Even taken together, the estimated costs for the 2012 and Mobile Shopping Promotions are roughly equal to the actual cost of the 2011 Promotion.

Finally, the removal of Standard Mail Flats from the Mobile Shopping Promotion would unnecessarily complicate the participation of certain flats mailers, thus reducing the Promotion's potential impact. The cause of such complications is the way cataloguers (the primary users of Standard Mail Flats) design their mailing campaigns. Since cataloguers do not know (often until the very last minute) what the precise mix of Carrier Route and Standard Mail Flats will be for a particular mailing campaign, these

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<sup>23</sup> Docket No. R2012-3, Order No. 987, PG. 19, November 22, 2011.

<sup>24</sup> *Id.* at 9.

<sup>25</sup> Compare PRC Docket No. R2012-6, 2012 Notice, Appendix B (indicating that the 2012 Promotion is estimated to cost between \$16 and \$34 million) with The cost estimates in this pleading, which indicate that the Mobile Shopping Promotion will cost between \$3 and \$6 million.

mailers cannot determine the value of their Postage Discount during the campaign design phase. As one association of catalogue mailers pointed out in Docket No. R2012-6, the cost of adopting the required mobile technologies “is many times greater than the incentive can yield in postage saved,” thus “reducing a proportion of the catalogs that qualify will degrade the economics further and reduce the number of companies that participate.”<sup>26</sup>

Since the Mobile Shopping Promotion continues to promote the long-term value of the direct mail (including Standard Mail Flats), and since the Promotion will have a minimal impact on that product’s cost coverage, the Postal Service believes that the Mobile Shopping Promotion ultimately conforms to the intent of the ACD Order.

### **III. PRICE CAP COMPLIANCE**

Consistent with past limited-availability discounts, including the 2011 and 2012 Promotions, the Mobile Shopping Promotion will be excluded from First-Class Mail and Standard Mail price-cap calculations.<sup>27</sup> Essentially, the Postal Service intends to ignore the effect of the price decrease resulting from the Mobile Shopping Promotion on the price cap for both future and current prices. As a result, the Postal Service has made no calculation of cap or price changes described in Rules 3010.14(b)(1) through (4).

### **IV. Objectives and Factors, Workshare Discounts, and Preferred Rates**

In compliance with Rules 3010.14(b)(5) through (8), the Postal Service in this section discusses how the planned program “help[s] achieve” the objectives of section

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<sup>26</sup> PRC Docket No. R2012-6, Comments of the American Catalogue Mailers Association, at 2 (March 12, 2012).

<sup>27</sup> Pursuant to the procedures described in Rule 3010.24.

3622(b) and “properly take[s] into account” the factors of section 3622(c); how the program impacts workshare discounts, and how its planned prices are consistent with section 3626.

**A. Objectives and Factors**

The objectives of section 3622(b) are as follows:

- (b) Objectives.—Such system shall be designed to achieve the following objectives, each of which shall be applied in conjunction with the others:
- (1) To maximize incentives to reduce costs and increase efficiency.
  - (2) To create predictability and stability in rates.
  - (3) To maintain high quality service standards established under section 3691.
  - (4) To allow the Postal Service pricing flexibility.
  - (5) To assure adequate revenues, including retained earnings, to maintain financial stability.
  - (6) To reduce the administrative burden and increase the transparency of the ratemaking process.
  - (7) To enhance mail security and deter terrorism.
  - (8) To establish and maintain a just and reasonable schedule for rates and classifications, however the objective under this paragraph shall not be construed to prohibit the Postal Service from making changes of unequal magnitude within, between, or among classes of mail.
  - (9) To allocate the total institutional costs of the Postal Service appropriately between market-dominant and competitive products.

As the Postal Service has previously argued in Docket Nos. R2011-5 and R2012-6, the establishment of this program does not substantially alter the degree to which First-Class Mail and Standard Mail prices already address these objectives, or they are addressed by the design of the system itself (Objectives 1, 2, 3, 6, 7, 8, and 9). The implementation of the Mobile Shopping Promotion is another example of the increased flexibility that the Postal Service was allowed under the PAEA (Objective 4). Further, the fact that the program will encourage new mail volumes in the future enhances the financial position of the Postal Service (Objective 5).

In addition to the objectives specified and discussed above, section 3622(c) enumerates fourteen factors, or considerations, that must be taken into account, which are as follows:

(c) Factors.—In establishing or revising such system, the Postal Regulatory

Commission shall take into account—

- (1) the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery;
- (2) the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to each class or type of mail service through reliably identified causal relationships plus that portion of all other costs of the Postal Service reasonably assignable to such class or type;
- (3) the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters;



- (4) the available alternative means of sending and receiving letters and other mail matter at reasonable costs;
- (5) the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service;
- (6) simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services;
- (7) the importance of pricing flexibility to encourage increased mail volume and operational efficiency;
- (8) the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail;
- (9) the importance of providing classifications with extremely high degrees of reliability and speed of delivery and of providing those that do not require high degrees of reliability and speed of delivery;
- (10) the desirability of special classifications for both postal users and the Postal Service in accordance with the policies of this title, including agreements between the Postal Service and postal users, when available on public and reasonable terms to similarly situated mailers, that—
  - (A) either—
    - (i) improve the net financial position of the Postal Service through reducing Postal Service costs or increasing the overall contribution to the institutional costs of the Postal Service; or

- (ii) enhance the performance of mail preparation, processing, transportation, or other functions; and
- (B) do not cause unreasonable harm to the marketplace.
- (11) the educational, cultural, scientific, and informational value to the recipient of mail matter;
- (12) the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable postal services;
- (13) the value to the Postal Service and postal users of promoting intelligent mail and of secure, sender-identified mail; and
- (14) the policies of this title as well as such other factors as the Commission determines appropriate.

As with the Objectives of section 3622(b), the establishment of the Mobile Shopping Promotion does not substantially alter the degree to which First-Class Mail and Standard Mail prices address many of the factors of section 3622(c) (Factors 1, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, and 14). The program is likely to encourage increased mail volume in the future (Factor 7). In addition, although the program will provide discounts to some mailpieces, it will not imperil the ability of either First-Class Mail or Standard Mail to cover their attributable costs (Factor 2).

## **B. Workshare Discounts**

As was the case for the 2011 and 2012 Promotions, the Mobile Shopping Promotion will not impact current workshare discounts.

**C. Preferred Rates**

The Mobile Shopping Promotion does not exclude any mailers and will therefore not affect compliance with any preferred rate requirements.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Pricing & Product Support

John F. Rosato

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1135  
(202) 268-8597, Fax -6187  
June 27, 2012

# APPENDIX (A)

## MAIL CLASSIFICATION CHANGES

(Additions are underlined and deletions are marked with strike-through)

### Part A

#### Market Dominant Products

\* \* \* \* \*

#### **1100            First-Class Mail**

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#### **1110            Presorted Letters/Postcards**

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#### **1110.4          Optional Features**

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- Competitive Ancillary Services (2645)
  - Package Intercept Service (2645.2)
- Holiday Mobile Shopping Promotion (Expires November 21, 2012)

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#### **1110.5          Prices**

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##### *Move Update Assessment Charge*

Add \$0.07 per assessed piece, for mailings with less than 70 percent of mailpieces passing a Performance Based Verification at acceptance and which cannot demonstrate compliance with Move Update requirements.

##### *Holiday Mobile Shopping Promotion (Expires November 21, 2012)*

Provide a two or three percent discount on the total postage for First-Class Mail and Standard Mail letters, postcards and flats sent using a permit imprint payment method, which include a two-dimensional mobile barcode inside or on the mailpiece. The discount will be offered during the established promotion period, to mailers that comply with the eligibility requirements. The discount will vary between two and three percent depending on whether the mailer uses Priority Mail to fulfill a minimum number of orders.

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#### **1115            Flats**

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1115.4 Optional Features

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- Competitive Ancillary Services (2645)
  - Package Intercept Service (2645.2)
- Holiday Mobile Shopping Promotion (Expires November 21, 2012)

\* \* \* \* \*

1115.5 Prices

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*Move Update Assessment Charge*

Add \$0.07 per assessed piece, for mailings with less than 70 percent of mailpieces passing a Performance Based Verification at acceptance and which cannot demonstrate compliance with Move Update requirements.

*Holiday Mobile Shopping Promotion (Expires November 21, 2012)*

Provide a two or three percent discount on the total postage for First-Class Mail and Standard Mail letters, postcards and flats sent using a permit imprint payment method, which include a two-dimensional mobile barcode inside or on the mailpiece. The discount will be offered during the established promotion period, to mailers that comply with the eligibility requirements. The discount will vary between two and three percent depending on whether the mailer uses Priority Mail to fulfill a minimum number of orders.

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**1200 Standard Mail (Commercial and Nonprofit)**

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**1205 High Density and Saturation Letters**

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1205.5 Optional Features

\* \* \* \* \*

- Ancillary Services (1505)
  - Address Correction Service (1505.1)
  - Certificate of Mailing (1505.6)
- Full-service Intelligent Mail Option
- Holiday Mobile Shopping Promotion (Expires November 21, 2012)

\* \* \* \* \*

1205.6 Prices

\* \* \* \* \*

g. Customers will be given the option to participate under a Total Market (or National) Volume or a Specific Geographic Markets model.

- Total Market (or National) Volume – Customers are measured by their total national mail volume of Saturation and High Density mail. Customers must demonstrate increased total volume of Saturation and High Density mail letters and flats over the base year for their total market.
- Specific Geographic Markets – Customers will designate specific geographic target markets or specific Postal Service Sectional Center Facilities (SCFs) to demonstrate increased volume over their predetermined baseline. Customers can select up to 20 individual SCF areas in which to participate or up to 5 target markets (consisting of multiple contiguous SCFs). All geographic areas must be approved by the Postal Service during the application process. Customers will be required to have made the qualifying 6 mailings during FY 2010 for each market in which they plan to participate.

*Holiday Mobile Shopping Promotion (Expires November 21, 2012)*

Provide a two or three percent discount on the total postage for First-Class Mail and Standard Mail letters, postcards and flats sent using a permit imprint payment method, which include a two-dimensional mobile barcode inside or on the mailpiece. The discount will be offered during the established promotion period, to mailers that comply with the eligibility requirements. The discount will vary between two and three percent depending on whether the mailer uses Priority Mail to fulfill a minimum number of orders.

\* \* \* \* \*

**1210 High Density and Saturation Flats/Parcels**

\* \* \* \* \*

**1210.5 Optional Features**

\* \* \* \* \*

- Full-service Intelligent Mail Option: high density flats only
- Holiday Mobile Shopping Promotion (Expires November 21, 2012)

\* \* \* \* \*

**1210.6 Prices**

\* \* \* \* \*

g. Customers will be given the option to participate under a Total Market (or National) Volume or a Specific Geographic Markets model.

- Total Market (or National) Volume – Customers are measured by their total national mail volume of Saturation and High Density mail. Customers must demonstrate increased total volume of Saturation and High Density mail letters and flats over the base year for their total market.
- Specific Geographic Markets – Customers will designate specific geographic target markets or specific Postal Service Sectional Center Facilities (SCFs) to demonstrate increased volume over their predetermined baseline. Customers can select up to 20 individual SCF areas in which to participate or up to 5 target markets (consisting of multiple contiguous SCFs). All geographic areas must be approved by the Postal Service during the application process. Customers will be required to have made the qualifying 6 mailings during FY 2010 for each market in which they plan to participate.

*Holiday Mobile Shopping Promotion (Expires November 21, 2012)*

Provide a two or three percent discount on the total postage for First-Class Mail and Standard Mail letters, postcards and flats sent using a permit imprint payment method, which include a two-dimensional mobile barcode inside or on the mailpiece. The discount will be offered during the established promotion period, to mailers that comply with the eligibility requirements. The discount will vary between two and three percent depending on whether the mailer uses Priority Mail to fulfill a minimum number of orders.

\* \* \* \* \*

**1215 Carrier Route**

\* \* \* \* \*

**1215.5 Optional Features**

\* \* \* \* \*

- Full-service Intelligent Mail Option: letters and flats only
- Holiday Mobile Shopping Promotion (Expires November 21, 2012)

\* \* \* \* \*

**1215.6 Prices**

\* \* \* \* \*

*Full-service Intelligent Mail Option: letters and flats only*

Subtract \$0.001 for each carrier route letter or flat that complies with the requirements for the full-service Intelligent Mail option.



*Holiday Mobile Shopping Promotion (Expires November 21, 2012)*

Provide a two or three percent discount on the total postage for First-Class Mail and Standard Mail letters, postcards and flats sent using a permit imprint payment method, which include a two-dimensional mobile barcode inside or on the mailpiece. The discount will be offered during the established promotion period, to mailers that comply with the eligibility requirements. The discount will vary between two and three percent depending on whether the mailer uses Priority Mail to fulfill a minimum number of orders.

\* \* \* \* \*

**1220 Letters**

\* \* \* \* \*

1220.5 Optional Features

\* \* \* \* \*

- Full-service Intelligent Mail Option: automation letters only
- Holiday Mobile Shopping Promotion (Expires November 21, 2012)

\* \* \* \* \*

1220.6 Prices

\* \* \* \* \*

*Full-service Intelligent Mail Option: automation letters only*

Subtract \$0.001 for each automation letter that complies with the requirements for the full-service Intelligent Mail option.

*Holiday Mobile Shopping Promotion (Expires November 21, 2012)*

Provide a two or three percent discount on the total postage for First-Class Mail and Standard Mail letters, postcards and flats sent using a permit imprint payment method, which include a two-dimensional mobile barcode inside or on the mailpiece. The discount will be offered during the established promotion period, to mailers that comply with the eligibility requirements. The discount will vary between two and three percent depending on whether the mailer uses Priority Mail to fulfill a minimum number of orders.

\* \* \* \* \*

**1225 Flats**

\* \* \* \* \*

1225.5 Optional Features

\* \* \* \* \*

- Full Service Intelligent Mail Option: automation flats only
- Holiday Mobile Shopping Promotion (Expires November 21, 2012)

\* \* \* \* \*

1225.6

Prices

\* \* \* \* \*

*Full-service Intelligent Mail Option: automation flats only*

Subtract \$0.001 for each automation flat that complies with the requirements for the full-service Intelligent Mail option.

*Holiday Mobile Shopping Promotion (Expires November 21, 2012)*

Provide a two or three percent discount on the total postage for First-Class Mail and Standard Mail letters, postcards and flats sent using a permit imprint payment method, which include a two-dimensional mobile barcode inside or on the mailpiece. The discount will be offered during the established promotion period, to mailers that comply with the eligibility requirements. The discount will vary between two and three percent depending on whether the mailer uses Priority Mail to fulfill a minimum number of orders.

# APPENDIX (B)

Please refer to the excel workbook (*AppendixB.xls*) filed with this Notice.

# APPENDIX (C)

Please refer to PDF attachment (*AppendixC.pdf*) filed with this Notice.